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ABSTRACT

This chapter of "Principles of School Business Management" reviews the functions, procedures, and reports with which school business officials must be familiar in order to interpret and make decisions regarding the school district's financial position. Among the accounting functions discussed are financial management, internal auditing, annual independent auditing, and auditing by government agencies. The method of accounting used in public schools is different from both the methods used in private enterprise and the methods used by other government agencies. These differences are reviewed, particularly in the areas of budgetary accounts and funds, changes in terminology, and the school system's fund-based financial structure. Each of the major fund types--budgetary, proprietary, and fiduciary--is described. The system's books are the next topic; general and subsidiary ledgers, the posting process, the bases of accounting, and the maintenance of documentary evidence of transactions are considered. Public school fund accounting equations are presented for different types of funds and account groups. The chapter concludes by discussing and presenting examples of interim and year-end financial statements for each fund and account group. Twenty-nine revelant resources are cited. (PGD)

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5
Educational Accounting Procedures

Sam B. Tidwell

School business administrators have varied backgrounds in accounting education, yet they are in jobs where they are expected to interpret the school district's financial position for their faculty and staff, for their school boards and for voters. They need to understand what the school district's financial accounting structure is and what kind of financial reports should be produced by their accounting office. As chief fiscal officers, they need to know what financial statements mean and how to interpret them.

The purpose of educational accounting is to assure that citizens are provided the highest quality of education possible within the financial resources available to their school district, an objective requiring effective and efficient management of these resources. The school business administrator needs to know what these resources are, how they become financial resources of the school district, how these resources are converted into assets that may be used, how they are planned to be used and how they are actually used.

Accounting Functions in School Systems

A number of different accounting functions are used in accounting for school funds. Among them are financial management, internal auditing, the annual outside, independent audit and audits conducted by governmental agencies.

Financial Management

Financial management involves dealing with problems related to receiving the maximum revenue available to the school district, safeguarding all financial resources and controlling expenditures and financial commitments throughout the fiscal period as directed by the budget adopted by the board of education. School business administrators are employees of the school district who, therefore, are primarily responsible for operating the school system within its financial resources as directed by policies of the board of education.

This chapter presents accounting procedures that are used by management during the fiscal period to complete an accounting cycle. To illustrate the kinds of financial statements that these procedures are capable of producing, illustrations have been chosen from some of the comprehensive annual financial reports (CAFR) that earned the 1983 Certificate of Excellence in Financial Reporting awarded by the Association of School Business Officials International. It is beyond

the scope of this chapter, however, to discuss all underlying public school accounting principles and financial reporting procedures in detail.

Internal Auditing

Conducted by employees of the school district, this function is involved in the problems of safeguarding the school district's financial resources. The internal auditor, as an employee of the school district, and members of the internal audit staff monitor the operation of the accounting system. The internal auditor reports to the board of education or the chief school officer and recommends to management ways by which it can operate an effective system of internal accounting and financial controls that are capable of producing timely, meaningful and reliable interim financial reports. The system of internal control and the work of the internal auditor are also primarily responsible for detecting and minimizing controllable losses and detecting fraud and embezzlement by employees of the school district.

The Annual Independent Audit

This is a function that relies heavily on the effectiveness of the school district's system of internal accounting and financial controls. The annual audit is conducted by one or more outside, independent accountants who are qualified by laws of the appropriate state to examine the financial statements of the school district in accordance with "generally accepted auditing standards." These accountants are qualified by education, by experience, practice and by professional examination to express, qualify or deny an opinion on the school district's comprehensive annual financial statements. They state whether in their opinion, the annual financial statements are presented in accordance with "generally accepted accounting principles applied on a basis consistent with the prior year."

Being subjected to examination by outside, independent accountants who are not employees of the school district or other governmental agency tends to safeguard the integrity of the school district's financial administrators. The audit report, containing the annual financial statement on which the outside, independent accountants express an opinion, is a major report used by members of the board of education and the public to determine that the financial resources of the school district have been, in fact, used for the purpose the taxpayer provided them. Creditors rely on the audit report as a basis for extension of credit. It is also an important document that is used by financial analysts to establish interest rates when the school district issues bonds and other long-term debt.

The objective of financial management is to receive an unqualified, outside independent auditor's opinion on the school district's comprehensive annual financial report. Although the word "comprehensive" is a relatively new addition to school financial reporting terminology, it is coming to mean that the financial statements of all funds and account groups used by the school district were included in the annual examination by the outside, independent accountants. This is the report toward which ASBO directs its certificate of excellence in financial reporting program.

Audits Conducted By Governmental Agencies

Each governmental agency which provides revenue to school districts through

distribution of taxes and commodities may require its own audit staff to examine whether the financial resources of the school district are restricted in scope to those funds receiving revenue from taxes and commodities from that unit of government.

Unique Characteristics of Accounting for School Systems

Public school accounting is a unique field of accounting. Nevertheless, there are similarities with other fields of accounting, for example, the "theory of debits and credits." Textbooks used in university principles of accounting courses traditionally present the theory of debits and credits as it applies to profit-making enterprises, i.e., proprietorships, partnerships and corporations. This basic accounting theory has been expanded to apply to a "governmental accounting structure," a financial structure that has become generally accepted today as the most appropriate basis of accounting for entities operated by tax revenue for federal, state and local units of government. This governmental accounting structure has been further modified by ASBO to make it a useful basis of financial and managerial accounting and reporting for school systems.

ASBO has, in effect, modified the governmental accounting structure to a fund structure that meets the needs of school systems by eliminating special assessment funds, a fund concept widely used by other local and state units of government, but not used by school systems. Instead of referring to a certain group of funds as "governmental-type" funds, ASBO recommends that this group of funds be referred to as "budgetary funds." In effect, the theory of debits and credits has been expanded to apply not only to asset, liability, capital, income and expense accounts as used by profit-making entities, but also to include budgetary accounts such as estimated revenue, revenue, expenditure, encumbrance and appropriation accounts.

The account structure used for the general fixed assets account group, the general long-term debt account group and agency funds is significantly different from the account structure of other funds. The terminology for capital accounts used by business entities is changed to "fund equity" or "fund balance" and titles for income and expense accounts are changed to "revenue" and "expenditure" accounts in some funds. Additional accounts, frequently referred to as budgetary accounts, are used in budgetary funds to manage financial resources and to determine what administrative actions are needed to carry out the budget adopted by the board of education for the fiscal period.

Budgetary Accounts and Budgetary Funds

Budgetary accounts used for management purposes by school systems compare:

1. The budget's estimated revenue with revenue actually realized to date. The difference between estimated revenue and actual revenues is the amount that estimated revenue has not been realized or the amount that actual revenue has exceeded the budgeted revenue estimate to date. When this comparative procedure is used, the variance between amounts budgeted and the amounts actually realized causes management to ask "What additional administrative actions are needed if the school district is to receive all of its revenue from these sources?"

Table 5:1 SCHOOL DISTRICT
General Fund Interim Statements Comparing Budget Revenue with Actual to Date and Appropriations with Expenditures and Encumbrances to Date (For _____ month period ending* _____)

	See Schedule Number	Budgeted Estimated	Actual to Date		Unrealized Balance
Revenue:					
From local sources	2	$1,658,192	$1,647,533	Under	$ 10,659
From state sources, direct	2	1,763,835	1,773,346	Over	(9,511)
From state sources, redistribution of federal funds	2	35,595	26,509	Under	9,086
From intermediate sources, redistribution of federal funds	2	1,275	—	Under	1,275
From federal sources	2	2,874	9,200	Over	(6,326)
From other school districts in the state	2	23,453	25,171	Over	(1,718)
Total revenue	2	$3,485,224	$3,481,759	Under	$ 3,465

		Appropriations	Expenditures	Encumbrances	Unencumbered Balance
Expenditures:					
Instruction—elementary	3	$1,782,132	$1,467,843	$156,824	$157,465
Instruction—secondary	3	817,006	783,984	31,098	1,924
Instruction—special education	3	98,471	98,471	—	—
Instruction—summer school	3	23,000	—	23,000	—
Instruction—Title I	3	23,601	23,400	—	201
Instruction—federal grant	3	6,118	6,118	—	—
Administration	3	134,604	126,898	7,706	—
Transportation	3	58,486	51,742	5,000	1,744
Operation of plant	3	332,756	328,642	3,675	439
Maintenance of plant	3	36,038	34,750	985	303
Fixed charges	3	106,430	99,850	6,400	180
Capital outlay	3	26,415	26,415	—	—
Debt service	3	28,120	28,120	—	—
Tuition to other school districts in the state	3	2,047	2,047	—	—
Total expenditures		$3,475,224	$3,078,280	$234,688	$162,256
Excess revenues over expenditures		$ 10,000			

*Table is taken from *Financial and Managerial Accounting For Elementary and Secondary School Systems* by S. B. Tidwell, Reston, Va.: Association of School Business Officials, 1984.

2. Expenditures and encumbrances (financial commitments) with legal limits established by appropriations. When expenditures or encumbrances exceed the legal limit, one or more unauthorized transactions have taken place that can result in an operating deficit or a fund deficit. This comparison, when frequently made during the fiscal period, assists management in avoiding unauthorized expenditures and financial commitments and creating either operating or fund deficits.

Encumbrances are contractual commitments in the form of purchase orders for goods or services that have not been filled. When the order is filled it becomes an expenditure. In budgetary funds it is necessary to record encumbances to prevent issuance of contractual commitments that could result in expenditures in excess of legal limits. An interim statement comparing budget (estimated) revenues with actual revenue to date and comparing expenditures and encumbrances with appropriations (legal limits) is presented in Table 5:1.

Other Terminology Changes

In school accounting, some funds use the term "expense account" as it is used by a business entity, but in other funds, other terms are used. For example, in a budgetary fund the term may be broadened and called an "expenditure account." In funds of this type not only are entries made to record usual current expenses of the fund, but also to record the fund's current expenses to acquire general fixed assets, to record current expenses caused by maturity of long-term debt and to record current interest expense incurred on long-term debt. Transactions of these kinds are "expenditures" and are recorded in the "expenditure account."

The fixed assets acquired by expenditures of budgetary funds are neither recorded as fixed assets of budgetary funds nor long-term liabilities of the school district recorded as liabilities in budgetary funds; instead they are recorded in the general fixed assets account group and the general long-term debt account group. Interest on long-term debt paid by a budgetary fund, however, is recorded as an expenditure.

The accounting procedures used to close expense and income accounts at the end of the fiscal period by a business entity are also used to close the revenue, expenditure and budgetary accounts of school systems, thereby making these accounting procedures consistent with accounting procedures used by other types of financial and business entities.

The Fund Structure: A School System's Financial Structure

A profit-making entity usually has only one group of self-balancing accounts known as its general ledger with adequate supporting subsidiary ledgers containing necessary subsidiary ledger accounts. In accounting for school systems, however, a more complex financial structure is used that is identified as a "fund structure." The financial structure is composed of a number of funds and account groups, each having its own general ledger with adequate supporting subsidiary ledgers. Each fund and account group used by the school system is designed to serve certain but limited purposes.

The fund structure recommended by ASBO for use by school districts is as follows:

Budgetary funds
- The general fund
- Special revenue funds
- Capital project funds
- Debt service funds

Account groups
- The general fixed assets account group
- The general long-term debt account group

Proprietary type funds
- Enterprise funds
- Internal services funds

Fiduciary type funds
- Trust funds, including both expendable trust funds and non-expendable trust funds
- Agency funds

Each fund and account group has its own separate, self-balancing group of accounts with underlying books of record which may be maintained either on a manual basis, or with mechanical, electric or electronic equipment.

The Purpose of Each Fund and Account Group

All funds and account groups used by a school system are created and abolished by recorded actions of the board of education. Because each has a specific, and therefore, restricted purpose, it is important to know the purpose of each. Brief descriptions of the purposes of the funds and account groups recommended by ASBO for use by school districts are as follows:

Budgetary Funds

The General Fund. The general fund is the most important of the funds and account groups. It is created at the inception of the school district and continues throughout the life of the school system. Its purpose is to provide the basic education, ongoing or foundation program.

Special Education Funds. Special revenue funds are useful when a temporary source of revenue is available to a school district to provide a special kind of educational program that is beyond the scope of the basic education or foundation program offered by the general fund, or for a program where cost is beyond the financial resources available in the general fund. When revenue from a temporary source ceases to be available for a special revenue fund, the fund is abolished by action of the board of education.

When temporary sources of revenue become relatively certain to be provided in future years, the "special kind of educational program" may be declared by the board of education to be a part of the school district's basic education or foundation program, and the need for a separate special revenue fund may cease. The accounts needed to continue to identify the cost of this added basic education program may become a part of the school district's general fund.

Capital Projects Funds. Capital projects funds become useful to a school district when large amounts of money are available from federal, state and/or local sources

for the purpose of acquiring specific long-lived, general fixed assets such as land, buildings, machinery, classroom equipment and the like. A capital projects fund may be created for a project when all sources of the fund's revenue are restricted to that project. A group of general fixed assets may also be acquired by a capital projects fund when all sources of the fund's revenue are restricted to that group of general fixed assets.

Expenditures accounts required to record the school district's acquisition of general fixed assets are closed at the end of the life of the capital projects fund. The general fixed assets acquired are not recorded in the asset accounts of capital projects funds but, instead, they are recorded in the general fixed assets account group where they continue to be maintained as long as they remain in possession of the school district.

When all assets of a capital projects fund have been used for the purposes specified, all of its liabilities have been paid and the general fixed assets have been acquired, any remaining cash or other current assets may be transferred, by appropriate action of the board of education, to another fund of the school district. They may be returned, if required, to the source or sources originally providing the resources of the capital projects fund, or they may be disposed of in accordance with provisions specified by each of the sources at the time of providing them.

Debt Service Funds. A debt service fund is used to accumulate the assets necessary to pay off a specified, general long-term debt of the school system when that debt matures. A separate debt service fund should be created for each bond issue or long-term debt authorized and outstanding.

When long-term bonds are authorized to be issued, an asset accumulation schedule, frequently referred to as an amortization schedule, is prepared that shows the amount of revenue that should be provided each year to pay off the debt when it matures. When the debt is authorized by the board of education, the accumulation schedule becomes the authorization or basis for the budgetary entry.

The debt service fund's budgetary entry each year records the amount of revenue that is required from property taxes and the amount of revenue required from interest on the debt service fund's investment if the tax burden is to be spread equitably and if the principal amount of the bonds is to be accumulated each year over the life of the outstanding obligations.

The debt service fund's equity is restricted to retirement of the principal amount of the debt and, as such, it is appropriated each year. The account title to identify it as having been appropriated by action of the board is "reserve for debt retirement." The balance in the reserve for debt retirement should correspond at the end of each year with the amount required by the accumulation schedule.

At the end of each year, a variance may exist between what revenue should have been provided and what revenue was actually provided. As a result, a retained earning account is used to show the amount by which the debt service fund's equity exceeds or falls short of the accumulation schedule's requirements as shown in the reserve for debt retirement account. If earnings have been in excess of requirements, a credit balance appears in the retained earnings accounts. If earnings fall short of the fund's requirements as shown by the balance of the reserve for debt retirement account, a debit balance will appear in the retained earnings account. This debit balance focuses attention of management on the need for administrative and/or board of education action to be taken to avoid a default when the school district's outstanding bonds mature.

Account Groups

The General Fixed Assets Account Group. Tremendous amounts of money are invested by school districts in general fixed assets. These are long-lived assets such as land, building, machinery and equipment, that are acquired by the school system through the general fund, a special revenue fund, a capital projects fund or by transfer from a proprietary type fund from some source outside the school district. Because general fixed assets are expensive to replace, the general fixed assets account group is maintained to provide safeguards that tend to minimize and to disclose losses when they do occur, regardless of cause.

Any sale or disposition of a general fixed asset should be authorized by action of the board of education or its designated representative. Proceeds from the authorized sale of any general fixed asset can be traced to the fund that was designated by the board of education to receive it, thus tending to minimize the possibility of unauthorized use or disposition of proceeds from any sale of these assets.

General fixed assets are intended to be used anywhere in the school system in the educational process, as distinguished from fixed assets used in the operation of an enterprise fund, an internal service fund or a trust fund. The nature of the fixed asset determines the kind of internal controls that are required to assure taxpayers that the assets are being used for the purposes acquired. Auditors reconcile expenditures from the general fund, special revenue funds and capital projects funds for general fixed assets as well as transfers of fixed assets from proprietary type and fiduciary type funds with the general ledger accounts and the subsidiary ledger accounts of the general fixed assets account group. Without the use of the general fixed assets account group maintained on a basis consistent with generally accepted accounting principles during the fiscal period, large financial losses could occur that can be prevented.

Accounts that record depreciation of general fixed assets may be used in this account group.

The General Long-Term Debt Account Group. This account group is used when general long-term debt instruments are issued, usually in the form of long-term bonds or long-term notes payable. This group of accounts focuses attention on the kind of long-term debt that is outstanding as well as the amount, such as ten-year, eight percent serial bonds payable. It also shows the amount to be provided by the school district in future years and the amount that has already been provided in past years for the retirement of the principal amount of the debt. For management purposes, this account group can also show the total amount of interest payable in future years and the amount needed each year to pay interest. This procedure tends to minimize the possibility of overlooking the amount required for payment of interest and assure that each year's budget includes a provision for interest. No other accounts are maintained in this account group as it has no assets, fund equity, revenue or expenditures.

Proprietary Type Funds

Enterprise Funds. Accounting for enterprise funds parallels accounting for a business entity in that enterprise funds are created to produce goods and services for the school systems that may also be sold to the public. This fund structure is effectively used for school food services, for bookstores, for industrial arts programs such as automotive repair, for athletic programs and theaters where tickets

are sold to others in addition to students of the school district and other similar income-producing school activities.

If a product is bought and sold in its original form, this type of fund will need asset accounts, including accounts to record its own fixed assets and related accumulated depreciation, and accounts to record current and long-term liabilities, capital, retained earnings, income, cost of goods sold and general and administrative expenses. Other income and expense accounts record such things as interest income and interest expense where applicable.

If the enterprise fund purchases raw materials, places them in a production process such as manufacturing in industrial arts programs, adds labor costs and other production costs and sells the products to the public, either a job order cost accounting structure or a process cost accounting structure can be effectively used.

Internal Service Funds. An internal service fund is created to account for the cost of producing either goods or services that are to be used exclusively by the school system. This concept is useful to school systems that have a central purchasing, warehousing and distribution department, a central computer service, a central garage and transportation department, a central maintenance department, a central printing department and so on. This fund structure can make it possible for the school system to determine whether it is to the advantage of the school system to produce its own goods or services or to buy them from outside contractors. The accounting structure for internal services funds is comparable to the accounting structure needed for enterprise funds. The major differences in these two types of funds is that the goods or services produced by an internal services fund are exclusively used with the school district itself.

Fiduciary Type Funds

The amount held by the school district in trust funds is held by the board of education as a trustee under the provision of a trust agreement. As a trustee, the board of education has duties and responsibilities not only as a custodian for the assets held in trust, but also responsibilities for management of the trust fund's assets, liabilities, principal, income and expenses.

Trust funds are of two types. One is a non-expendable trust fund and the other is expendable. A trust fund may be created by the board of education from its own resources. Most often, a trust fund is created by a gift to the school district that is to be used for the purpose or purposes specified in the trust agreement. Use of a separate fund for each non-expendable trust fund and a separate fund for recording earnings and expenses of each expendable trust fund tends to minimize the possibility of depleting the trust principal of a non-expendable trust fund. Each trust fund created should be authorized by action of the board of education.

Non-expendable trust funds. A non-expendable trust fund, by its nature, requires the board of education to act as the administrator of the fund and to take whatever action is necessary to keep the principal of the fund intact. The board is required to decide when to buy and when to sell investments of the type specified in the trust agreement.

A non-expendable trust fund has asset accounts for cash and for each of its investments, and liability accounts when necessary. The fund equity account is identified as the non-expendable trust fund principal. Theoretically, this principal amount will remain intact. A non-expendable trust fund does not have revenue and expense accounts that could increase or deplete the trust fund principal. If, how-

ever, a loss is sustained in the assets of a non-expendable trust fund, thus causing a reduction in its principal, the trust agreement may specify that such losses be eliminated by a transfer from the expendable trust fund. When a trust fund is created, a provision should be made in the trust agreement that gives the board of education some method of disposing of the non-expendable trust fund principal in the event that operation of the fund becomes impossible.

Expendable trust funds. An expendable trust fund may be created as a result of a transfer from any other fund of the school district that is authorized by the board or by earnings from investments held in the non-expendable trust fund. An expendable trust fund has asset, liability, a retained earning account and revenue and expense accounts. The retained earnings account reflects the amount of net earnings that are pending dispositions according to the terms of the expendable trust fund agreement.

Agency Funds. The assets of an agency fund are held by the school district as an agent, not as an administrator or manager. Thus, the board of education has only custodial powers and duties rather than administrative and management responsibilities as was the case in accounting for trust funds. Therefore, an agency fund should have only asset and liability accounts. It has no equity accounts.

The agency fund is useful when a school district operates a central payroll fund and a central treasury fund, and when money is collected from a class, a person or a group and held for another person, group or organization.

The Central Payroll Fund as an Agency Fund. A central payroll fund, operated as an agency fund, can simplify the account structure of all funds of a school district reducing the number of accounts used to record payroll expenses and related assets and liabilities. As a result, overall financial reporting can be simplified. To do this, the accounts needed in the central payroll agency fund are:

Cash
Due from the general fund
Due from (each) special revenue fund
Due from (each) capital projects fund
Due from (each) enterprise fund
Due from (each) internal services fund
Due from (each) expendable trust fund
Salaries payable
Federal income tax withheld and payable
Social security tax withheld and payable
State income tax withheld and payable
City income tax withheld and payable
Employee retirement deductions payable
Group hospitalization insurance premiums withheld and payable
Union dues withheld and payable
Savings bond deductions withheld and payable
Other liability accounts (where needed)
Salary and wages expenses
Employer's social security tax expense
Employer's state unemployment tax expense
Employer's federal unemployment tax expense
Employer's retirement contributions expense
Worker's compensation insurance expense

Employer's group hospitalization insurance expense
Employer's group life insurance expense

The staff of the central payroll department, based on salary and wage authorizations by administrative officers of each fund employing people, makes all salary and wage computations using time cards or attendance reports submitted to it by each employing fund. In addition, the staff of the central payroll department computes the amounts to be withheld from the salaries and wages as well as the employer's payroll tax expenses for each fund, thereby centralizing in one department the need for a trained staff position in payroll administration. The central payroll department maintains records regarding individual earning, sick and annual leave and all other payroll documents. It issues payroll checks to all employees and pays all payroll liabilities when due. Instead of each employing fund having to maintain accounts for the payroll liabilities and employer expenses, this system reduces the number of accounts in the general ledger and financial reports. For example, the number of accounts needed in the general fund to record its payroll could be reduced to the following:

- Salaries and wages (classified adequately for management purposes).
- Employment expenses (classified adequately for management purposes).
- Due to central payroll fund.

The responsibility for determining the qualifications, administering the functions of hiring, firing, promoting personnel, reporting attendance, granting annual leave or sick leave and raising money necessary to pay for personnel services remains the administrative responsibility of each budgetary, proprietary and trust fund that uses the services of the central payroll department.

The Central Treasury Fund as an Agency Fund. Many advantages can result from centralizing the school district's treasury function, i.e., the function of collecting, temporarily investing and disbursing all cash. Among the advantages are:

1) The cash position of the school district can be determined at any time for the district as a unit rather than by individual funds.

2) Only one person, operating with adequate internal financial controls, is needed to manage the temporary investment of available cash that would be idle otherwise. This procedure tends to assure the maximum interest revenue that can be earned by the school district on temporary investments of cash.

3) All disbursements are made over the signature of the school district's treasurer, giving assurance that each disbursement is supported by an effectively operating voucher system wherein each payment is supported by adequate, competent business documents.

4) Income earned on temporary cash investments in the central treasury can be distributed to each fund according to the average cash balance maintained by each fund in the central treasury. This procedure relieves each fund of the necessity for providing personnel that otherwise would be needed to manage cash and temporary cash investments.

Accounts needed in a central treasury fund operated as an agency fund are:

Cash in bank
Due from (individual) fund
Temporary investments
Interest receivable
Due to (individual) fund
Interest earned distributed to school district funds

The account needed by each fund using the services of the central treasury is "Due from Central Treasury" in lieu of a cash account. Since the central treasury is serving a banking function for each fund, at the end of each month each fund should prepare a bank reconciliation to confirm the accuracy of the fund's claim against the central treasury and to detect any errors that may have occured.

Books of Record

Books of record for each fund and account group include a general journal, additional specialized journals where useful, such as a cash receipts journal, a cash payments journal or check register, a voucher register and a general ledger with necessary subsidiary ledgers.

The journal, frequently referred to as the general journal, is a book of original entry in which each and every financial transaction of a fund or account group is first recorded. This analysis and recording procedure is referred to as "journalizing." It records each transaction and shows how the transaction affected one or more of the accounts.

Financial transactions of a similar kind tend to be repeated. Therefore, the general journal may be relieved of some repetitive types of transactions by creating special journals. For example, the general journal could be relieved of recording all cash receipts, but instead each cash receipt would be recorded in a cash receipts journal. A cash payments journal could record all cash payments, a voucher register could record all purchase of goods and services. The use of special journals makes it possible not only to relieve the general journal of the need to record these repetitive types of transactions, thereby simplifying the recording routine, but also its use encourages a division of labor.

The General Ledger and Subsidiary Ledgers

Accounts that form the trial balance of a fund or account group are referred to as its general ledger. A trial balance is prepared at the end of an accounting period to verify that all general ledger accounts are in balance, i.e., the total debits equal the total credits. If it does not balance, one or more errors have occurred and need to be corrected. Maintaining the accounts of each fund and account group in accordance with the accounting equation is one of the most effective methods of internal accounting control available to school systems. A trial balance is prepared at the end of a day, a week, a month or a fiscal period prior to undertaking the job of preparing financial statement for a fund or account group. An example of a trial balance is presented in Table 5:2.

Table 5:2 New Hope School System General Fund Trial Balance* (Date)

Cash	$ 4,500	
Taxes receivable	22,000	
Temporary investment	3,000	
Loan to other fund - library	2,000	
Loan from bank		$ 1,000
Fund equity		10,000
Revenue from tax levy		30,000
Revenue from interest and penalties		500
Salaries expenditures	10,000	
Total	$41,500	$41,500

*Table is taken from *Financial and Managerial Accounting For Elementary and Secondary School Systems* by S. B. Tidwell, Reston, Va.: Association of School Business Officials, 1984.

Individual general ledger account titles identify a certain asset, liability, fund equity, revenue or expenditure account, or the title may identify a kind of a group of similar accounts by title, such as accounts receivable. If the latter is the case, the one account in the general ledger is referred to as a controlling account. Because each account receivable may be a receivable from a different source, person or business entity, a supporting group of accounts is maintained separately to identify each source, person or firm, the amount receivable from each and so on. The accounts supporting a controlling account in the general ledger compose a subsidiary ledger.

The total of all accounts in a subsidiary ledger must equal the balance of the controlling account in the general ledger (that requires the use of a subsidiary ledger). When a trial balance is prepared, a schedule of each subsidiary ledger is prepared to verify that the subsidiary ledger is in agreement with the controlling account in the general ledger. If it is not, one or more errors have occurred that must be corrected. A controlling account, its subsidiary ledger and a schedule of subsidiary ledger account balances is presented in Table 5:3.

Table 5:3* Example of a General Ledger and Subsidiary Ledgers

The General Ledger

Taxes Receivable, 19-0			Taxes Receivable, 19-1		
CR23	280		CR25	175	

NOTE: the controlling accounts in the general ledger show the total of the amounts shown in detail in the subsidiary ledger accounts below.

Subsidiary Taxes Receivable Ledger

Albert Bella			Abraham Adam		
CR23	150		CR25	100	
Douglas Daye			**Charles Covenart**		
CR23	130		CR25	75	

City of A School System
Schedule of Accounts Receivable (Date)

Albert Bella	$150
Douglas Daye	130
Total, General Ledger Controlling Account	$280

*Table is taken from *Financial and Managerial Accounting For Elementary and Secondary School Systems* by S.B. Tidwell, Reston, VA: Association of School Business Officials, 1984.

The Posting Process

Information recorded in the general journal or in a special journal of a fund or account group is transferred to individual accounts in the general ledger and to related subsidiary ledgers of the fund or account group. This "transferring process" is referred to as posting.

If each financial transaction is recorded and posted when it occurs, the accounts of a fund or account group are "up to date." Financial statements prepared from them, therefore, serve as a basis for effective and timely management actions as the school district moves through the fiscal period.

Bases of Accounting

Timing the recording and reporting of transactions that involve recognition of revenue or income and expenditures or expenses is the factor involved by use of the term "basis of accounting." Two bases of accounting are used by school districts, accrual basis and modified accrual basis. The accrual basis is used in proprietary type funds and recognizes income in the accounting period in which it is earned or in which it becomes measurable, and expenses in the fiscal period in which they are incurred, if measurable. The modified accrual basis is used by the budgetary funds and expendable trust funds. According to this basis revenues are recorded when they are susceptible to accrual, i.e., both measurable and available, and recognized in the accounting period in which the liability is incurred. "Available" refers to collectibility within the current fiscal period or soon enough thereafter to be used to pay current liabilities. Some revenue may be more accurately reported as "deferred liabilities" and some expenditures may be more appropriately allocated to future fiscal periods by being reported as "prepaid assets." Decisions about whether it is deferred revenue, revenue, an expenditure or a prepaid asset become important when they are material in amount. Results of these decisions are recorded as "adjusting entries" at the end of the accounting period. They affect the financial position and results of operation of a fund.

Documentary Evidence of Financial Transactions

If accounting is to serve its purpose effectively, every financial transaction must be analyzed and recorded as it affects the accounts of one or more of the funds and account groups used by the school district. It is essential that each of these financial transactions be supported by a complete set of business papers which provide the school district with adequate, competent evidence that the transaction did, in fact, take place. The business papers must be retained for examination by the internal auditor, by the outside, independent accountants, by governmental agency auditors, by the board of education and, if necessary, the courts.

Public School Fund Accounting Equations

To provide effective budgetary accounting control and up-to-date financial information for management, a school district's accounting equation for a budgetary fund is expressed as follows:

Assets = Liabilities + Fund Equity + (Revenue – Estimated Revenue) – ([Expenditures + Encumbrances] – Appropriations)

The accounting equation for each type of fund and account groups is different as detailed below. From the trial balance of each fund and account group, interim and annual financial statements are prepared.

For the general fixed assets account group:

Assets = Equities in General Fixed Assets

The term "equities in general fixed assets" is preferable instead of a more widely used term "investments in general fixed assets" because the term "equities" requires presentation on the credit side of an account or financial statement in all other cases. The term "investment" implies that it is an asset that requires presentation on the debit side of an account or financial statement. Because equities in general fixed assets appear on the credit side, confusion can be eliminated by this change in terminology.

For the general long-term debt account group:

Resources = General Long-Term Debt

The term "resources" is used instead of the budgetary account titles "amount to be provided" and "amount provided."

Assets = Liabilities + (Capital + Retained Earnings) + (Income — Expense)

Note that this is the equation used by business enterprises operated for profit.

There are three different equations for fiduciary type funds.

For non-expendable trust funds:

Assets = Liabilities + Principal

For expendable trust funds:

Assets = Liabilities + Retained Earnings + (Income — Expenses)

For agency funds:

Assets = Liabilities

Interim Financial Statements for Each Fund and Account Group

It is the individual fund and account group that is most important in financial management of a school district. Members of the board of education need to know what the financial position of each fund and account group is and what the results of operation are at the end of each month, if the board is to make effective and timely policy decisions. Each administrative officer having financial responsibility also needs to know the financial position of each fund or account group at least once each month for effective management.

With the help of a computer, a complete set of financial statements can be generated each month for review by board members and to appropriate administrative staff. This will not only help the board make effective and timely decisions, but also help them understand the financial structure of the school district.

Budgetary Funds

Interim financial reports for each of the budgetary funds (the general, special education fund, capital projects fund and each debt service fund) may be reported using a comparative balance sheet that compares balances of accounts at the balance sheet date with account balances at the end of the prior year. An example is presented in Table 5:4.

A statement comparing actual revenue to date with estimated revenue is presented in Table 5:5.

A statement comparing expenditures and encumbrances (financial commitments) to date with appropriations (an alternative presentation may combine this statement and the previous statement into a statement comparing actual and budgeted revenue and expenditure accounts). An example is presented in Table 5:6.

A statement of changes in fund equity or fund balance (alternative presentation of this and the two previous financial statements may combine the three into a statement of revenue, expenditures and changes in fund equity). Table 5:7 presents an example of a comparative statement of revenues, expenditures and changes in fund balance.

A statement of changes in financial position. Table 5:8 presents a statement of changes in financial position of a general fund when prepared to show gross financial resources provided and total school resources applied.

Table 5:4 Maintenance And Operation Fund* (The General Fund)
Comparative Balance Sheet, June 30, 1983 and 1982

	1983	1982
ASSETS		
Cash in bank	$ 2,467,393	$ 7,004
Investments, at cost, plus accrued interest (Note 1 f)	18,311,129	20,047,499
Accounts receivable:		
Local sources	164,436	90,151
State of Utah	259,372	336,777
Federal government	377,198	919,694
Total	801,006	1,346,622
Delinquent property taxes receivable, net (Note 3)	2,482,901	1,741,943
Due from other funds:		
Warehouse	12,444	17,760
Audio Visual Repair Lab	19,172	44,078
School Food Service	—	191,269
Total	31,616	253,107
Inventories:		
Maintenance supplies	504,600	401,529
School supplies	404,703	432,144
Total	909,303	833,673
House construction prepaid expenditures	63,725	55,228
Prepaid expenditures	895,391	633,828
Total Assets	$25,962,464	$24,918,904

	1983	1982
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$ 1,431,967	$ 1,476,706
Investments repurchase agreement payable	3,037,500	7,218,000
State of Utah	322,380	—
Accrued payroll	8,886,185	8,174,891
Accrued vacation payable	444,101	398,774
Accrued insurance payable	899,742	882,597
Early retirement compensation payable	99,500	176,094
Deferred revenue:		
Property taxes	5,932,801	3,375,544
State programs	617,500	263,146
Federal programs	212,014	84,353
Other	141,140	117,704
Total Liabilities	22,024,830	22,167,809
Fund Balance:		
Reserved:		
Encumbrances	33,518	42,355
P.L. 874 Revenue reserved for succeeding year's budget	72,337	42,158
Inventories	909,262	833,673
Unreserved:		
Designated for general contingencies	754,000	754,000
Unappropriated	2,168,517	1,078,909
Total Fund Balance	3,937,634	2,751,095
Total Liabilities and Fund Balance	$25,962,464	$24,918,904

*Taken from *Comprehensive Annual Financial Report*, Salt Lake City School District, for year ending June 30, 1983 pp. F-18 and F-19. This Report received from the Association of School Business Officials International (ASBO) the Certificate of Excellence in Financial Reporting by School Systems.

Table 5:5 Maintenance And Operation Fund*
(The General Fund)

Schedule of Revenues (Budget and Actual) Year Ended June 30, 1983
With Comparative Actual Amounts for Year Ended June 30, 1982

	1983			1982
	Budget	Actual Revenue	Variance-Favorable (Unfavorable)	Actual Revenue
Local Sources:				
Property taxes	$26,979,187	$27,413,147	$ 433,960	$24,865,914
Interest on investments	1,800,000	2,323,400	523,400	2,321,114
Tuitions	128,861	128,212	(649)	113,964
Rental of school property	239,590	239,313	(277)	199,774
Transportation*	9,500	6,922	(2,578)	8,633
Sale of obsolete equipment	36,000	38,946	2,946	11,527
Columbus workshop	213,301	189,433	(23,868)	266,159
Other local revenue	188,337	159,569	(28,768)	148,668
Total	29,594,776	30,498,942	904,166	27,935,753
State Sources:				
State equalization aid	11,466,050	11,356,561	(109,489)	10,011,713
Social security reimbursement	2,299,895	2,300,606	711	2,351,099
Retirement reimbursement	4,747,559	4,699,056	(48,503)	4,770,981
Youth in custody	230,954	230,954	—	209,006
Pupil transportation	692,926	829,312	136,386	551,741
Education transportation	29,577	29,614	37	27,408
Extended day/year	44,763	47,806	3,043	44,531
Community school	42,222	42,276	54	39,381
Instructional media	37,067	35,770	(1,297)	34,043
Driver's education	170,566	159,406	(11,160)	124,140
Elementary music	28,474	28,451	923)	26,021
Utilities and insurance	433,893	433,734	(159)	404,000
Career development	18,924	18,945	21	12,678
Compensatory education	158,947	135,942	(23,005)	105,596
Textbook and lab fees	149,473	149,516	43	138,296
Elementary guidance	44,038	44,095	57	41,076
Gifted and talented	28,196	28,232	36	25,891
Bilingual	51,348	51,348	—	50,057
Class size reduction	256,780	253,899	(2,881)	226,429
Special needs	180,669	180,673	4	165,413
Responsible parenthood	14,680	14,699	19	13,479
Vocational rehabilitation	154,906	137,591	(17,315)	128,633
Family services	397,250	397,142	(108)	330,053
Alcohol education project	21,816	20,973	(843)	19,038
Other state revenue	32,283	9,049	(23,234)	48,188
Total	21,733,256	21,635,650	(97,606)	19,898,891
Federal Sources:				
Vocational Education	115,783	132,368	18,585	147,725
ECIA Chapter I	1,326,030	1,132,640	(193,390)	1,377,062
ECIA Chapter II Block Grant	159,747	155,798	(3,949)	—
ESEA Title II	—	—	—	50,054
ESEA Title IV	1,576	1,576	—	17,594
ESEA Title VII	132,604	126,418	(6,186)	134,169
Manpower Development	170,147	171,117	970	179,130
Adult Education	54,053	54,053	—	73,287
Indian Education	81,353	76,807	(4,546)	93,881
Indochinese Education	393,198	347,953	(45,245)	325,303
Project Head Start	539,122	537,145	(1,977)	505,879
Project Follow Through	—	—	—	14,690
Public Law 874	79,461	111,258	31,797	105,038
ESAA Title VII	—	—	—	53,992
ROTC	16,000	22,048	6,048	23,776
Education for All Handicapped	596,196	638,852	42,656	440,727
Handicapped P.L. 91-230	116,228	106,895	(9,333)	91,779
Other federal revenue	35,744	20,657	(15,087)	35,820
Total	3,817,242	3,635,585	(181,657)	3,669,906
Grand Total	$55,145,274	$55,770,177	$ 624,903	$51,504,550

*Taken from *Comprehensive Annual Financial Report*, Salt Lake City School District, for year ending June 30, 1983, pp. F-21 and F-22. This report received ASBO the Certificate of Excellence in Financial Reporting by School Systems.

Table 5:6 Maintenance And Operation Fund* (The General Fund)

Schedule of Expenditures and Encumbrances Compared with Budget
Year Ended June 30, 1983 With Comparative Actual Amounts For Year Ended June 30, 1982

	1983					1982
	Budget	Expenditures	Encumbrances	Total Expenditures & Encumbrances	Variance-Favorable (Unfavorable)	Total Expenditures & Encumbrance
INSTRUCTION						
Salaries - Teachers	$24,620,406	$24,434,613	$ —	$24,434,613	$185,793	$22,861,934
Salaries - Other instructional staff	1,324,430	1,252,575	—	1,252,575	71,855	1,379,114
Employee benefits	7,868,291	7,574,005	—	7,574,005	294,286	9,653,185
Contracted & purchased services	453,026	429,280	1,297	430,577	22,449	459,559
Supplies & materials	997,602	919,477	12,907	932,384	65,218	891,143
Textbooks	521,715	528,325	3,748	532,074	(10,359)	491,442
Equipment	82,110	74,924	1,676	76,600	5,510	51,474
Student body activities	75,000	73,981	—	73,981	1,019	72,203
Total	35,942,580	35,287,181	19,628	35,306,809	635,771	35,860,054
SUPPORT SERVICES TO INSTRUCTION						
Child Accounting & Counseling:						
Salaries	1,165,079	1,161,589	—	1,161,589	3,490	1,100,958
Employee benefits	345,899	343,523	—	343,523	2,376	1,383
Supplies & materials	9,772	10,160	—	10,160	(388)	8113
Contracted & purchased services	8,100	6,992	—	6,992	1,108	7,823
Workshops	1,247	1,247	—	1,247	—	—
Total	1,530,097	1,523,511	—	1,523,511	6,586	1,118,277
Media Services & Educational Supervision:						
Salaries	2,071,175	2,057,925	—	2,057,925	13,250	2,009,851
Employee benefits	648,651	637,526	—	637,526	11,125	29,629
Contracted & purchased services	386,177	303,842	1,008	304,850	81,327	232,507
Supplies & materials	259,165	242,012	6,075	248,087	11,078	238,869
Equipment	15,393	12,880	3,529	16,409	(1,016)	35,151
Workshops	15,530	14,357	—	14,357	1,173	34,110
Total	3,396,091	3,268,542	10,612	3,279,154	116,937	2,580,117
General District Administration:						
Salaries	357,345	340,891	—	340,891	16,454	288,629
Employee benefits	181,920	163,178	—	163,178	18,742	120,132
Contracted & purchased services	671,010	647,642	—	647,642	23,368	680,271
Supplies & materials	31,170	32,103	79	32,182	(1,012)	44,268
Other expenditures	5,075	7,974	—	7,974	(2,899)	12,952
Total	1,246,520	1,191,788	79	1,191,867	54,653	1,146,252
General School Administration:						
Salaries	2,414,900	2,431,112	—	2,431,112	(16,212)	2,368,749
Employee benefits	840,798	835,758	—	835,758	5,040	120,222
Contracted & purchased services	123,078	129,941	—	129,941	(6,863)	125,460
Total	3,378,776	3,396,811	—	3,396,811	(18,035)	2,614,431

Accounting & Purchasing Services:						
Salaries	390,800	406,859	—	406,859	(16,059)	414,034
Employee benefits	126,025	127,693	—	127,693	(1,668)	119,773
Contracted & purchased services	5,633	5,638	—	5,638	(5)	—
Supplies & materials	34,063	36,447	—	36,447	(2,384)	34,470
Interest on Tax Anticipation Notes	691,075	691,075	—	691,075	—	412,981
Total	1,247,596	1,267,712	—	1,267,712	(20,116)	981,258
Operation & Maintenance of Schools:						
Salaries	3,344,700	3,261,643	—	3,261,643	83,057	3,154,678
Employee benefits	1,084,195	1,029,595	—	1,029,595	54,600	61,946
Contracted & purchased services	3,218,451	3,436,924	2,526	3,439,450	(220,999)	3,004,069
Equipment	3,500	3,500	—	3,500	—	—
Total	7,650,846	7,731,662	2,526	7,734,188	(83,342)	6,220,693
Student Transportation:						
Salaries	368,572	351,693	—	351,693	16,879	316,233
Employee benefits	107,666	109,043	—	109,043	(1,377)	42,594
Contracted & purchased services	186,127	188,520	—	188,520	(2,393)	182,138
Supplies & materials	136,864	114,930	165	115,095	21,769	115,568
Workshops	4,000	2,126	—	2,126	1,874	2,857
Total	803,229	766,312	165	766,477	36,752	659,390
Personnel, Data Processing & Volunteer Services:						
Salaries	426,821	429,619	—	429,619	(2,798)	400,353
Employee benefits	133,499	131,267	—	131,267	2,232	76,826
Contracted & purchased services	14,030	13,754	—	13,754	276	17,895
Supplies & materials	44,953	43,718	508	44,226	727	37,257
Total	619,303	618,358	508	618,866	437	532,331
Columbus Center & Special Conferences:						
Salaries	80,335	59,439	—	59,439	20,896	95,426
Employee benefits	5,398	4,447	—	4,447	951	—
Contracted & purchased services	14,134	14,134	—	14,134	—	—
Supplies & materials	1,155	1,171	—	1,171	(16)	1,820
Total	101,022	79,191	—	79,191	21,831	97,246
Community Services & Building Rentals:						
Salaries	29,426	29,717	—	29,717	(291)	30,837
Employee benefits	7,226	6,354	—	6,354	872	—
Contracted & purchased services	3,245	3,690	—	3,690	(445)	8,323
Total	39,897	39,761	—	39,761	136	39,160
Grand Total	$55,955,957	$55,170,829	$33,518	$55,204,347	$751,610	$51,849,209

*Taken from *Comprehensive Annual Financial Report*, Salt Lake City School District, for year ending June 30, 1983, pp. F-23 and F-24. This report received ASBO the Certificate of Excellence in Financial Reporting by School Systems.

Table 5:7 Maintenance And Operation Fund*
(The General Fund)
Comparative Statement of Revenues, Expenditures and Changes In Fund Balance
years ended June 30, 1983 and 1982

	1983	1982
Revenues:		
Property taxes	$27,413,147	$24,865,914
Interest on investments	2,323,400	2,321,115
Other local revenue	762,395	748,724
State of Utah	21,635,650	19,898,891
Federal government	3,635,585	3,669,906
Total Revenues	55,770,177	51,504,550
Expenditures:		
Instruction	35,304,529	35,861,397
Child accounting and counseling	1,523,877	1,118,277
Media services and educational supervision	3,288,422	2,580,117
General district administration	1,191,871	1,146,252
General school administration	3,396,811	2,614,431
Accounting and purchasing services	1,268,911	981,258
Operation and maintenance of schools	7,734,714	6,220,693
Student transportation	766,312	659,390
Personnel, data processing and volunteers	618,596	532,331
Columbus center and special conferences	79,191	97,246
Community services and building rentals	39,950	39,160
Total Expenditures (Note 2)	55,213,184	51,850,552
Excess (Deficiency) of Revenues over Expenditures	556,993	(346,002)
Other Financial Sources:		
Operating transfer from Capital Outlay Fund	629,546	—
Excess (Deficiency) of Revenues and Other Sources over Expenditures	1,186,539	(346,002)
Fund Balance Unappropriated - July 1	1,078,909	2,173,885
Add decrease in reserve for encumbrances	8,837	1,343
Less increase in P.L. 874 Revenue reserved for succeeding year's budget	(30,179)	83,356
Less increase in inventory reserve	(75,589)	(833,673)
Fund Balance Unappropriated - June 30	$ 2,168,517	$ 1,078,909

*Taken from *Comprehensive Annual Financial Report*, Salt Lake City School District, for year ending June 30, 1983, p. F-21. This report received ASBO the Certificate of Excellence in Financial Reporting by School Systems.

Table 5:8 New School District General Fund*
Statement of Changes in Financial Position
for year ended June 30, 19___

Resources provided:		
From revenues:		
Local sources	$ 767,995.79	
Intermediate sources	16,219.94	
State sources	849,904.04	
Federal sources	6,091.10	
Gifts and bequests	608.03	$1,640,818.90
From reduction in assets:		
Reduction in accounts receivable	$ 131,099.24	
Reduction in prepaid insurance	576.59	131,675.83
From increasing liabilities:		
Increase in accounts payable	$ 14,437.26	
Increase in salaries payable	33,367.80	
Increase in withholding payable	6,624.80	
Increase in due to other funds	2,221.90	
Increase in reserves and deferred revenues	4,759.56	61,411.32
Total resources provided		$1,833,906.05
Application of school financial resources:		
To expenditures of school district:		
Instruction	$1,097,646.48	
Administration	67,067.82	
Transportation of pupils	61,612.82	
Operation of plant	191,461.59	
Maintenance of plant	19,941.08	
Fixed charges	12,743.97	
Capital outlay	23,058.05	
Cafeteria funds deficit	9,609.97	
Transfers to other school districts (tuition)	117,054.89	$1,600,196.67
To increase assets:		
Increase in cash	$ 64,314.60	
Increase in taxes receivable	15,372.24	
Increase in inventory of supplies	984.02	80,670.86
To reduction of liabilities:		
Reduction of current and short term loans	$ 134,829.02	
Reduction of contracts for equipment purchases	18,209.50	153,038.25
Total school resources applied		$1,833,906.05

*Table is taken from *Financial and Managerial Accounting For Elementary and Secondary School Systems* by S. B. Tidwell, Reston, Va.: Association of School Business Officials, 1984.

Account Groups. For the general fixed assets Account group, interim reports are:

- A statement of general fixed assets. (See Table 5:9.)
- A statement of changes in general fixed assets. (Table 5:10 presents this statement showing changes by source. A second example of this statement is present in a different format in Table 5:11.)
- An informative supporting schedule is frequently presented showing location of the general fixed assets. (See Table 5:12.)
- A statement of general long-term debt (Table 5:13 or a statement of changes in general long-term debt (Table 5:14.)

Table 5:9 Charlotte-Mecklenburg Board Of Education Schedule Of General Fixed Assets—By Source* for the years ended June 30, 1983 and 1982.

	1983	1982
GENERAL FIXED ASSETS:		
Land	$ 11,381,850	$ 11,294,876
Building	133,107,153	129,189,606
Furniture and Equipment	22,255,723	22,613,958
Vehicles	8,816,082	7,721,570
Library Books	6,259,034	6,259,034
Construction in Progress	2,263,231	4,389,126
TOTAL GENERAL FIXED ASSETS	$184,083,083	$181,468,170
INVESTMENT IN GENERAL FIXED ASSETS FROM:		
Prior to 1976 (Not Determinable)	$139,543,583	$142,309,163
General Fund	13,652,466	10,982,458
Capital Projects Fund	30,347,403	27,785,334
Expendable Trust Fund	469,894	323,853
Donations	69,737	67,362
TOTAL INVESTMENT IN GENERAL FIXED ASSETS	$184,083,083	$181,468,170

*Taken from *Comprehensive Annual Financial Report*, Charlotte/Mecklenburg Board of Education, Charlotte, North Carolina, for year ending June 30, 1983, p. 48. This report received ASBO the Certificate of Excellence in Financial Reporting by School Systems.

Table 5:10 Charlotte-Mecklenburg Board of Education Statement of Changes in General Fixed Assets—by Source* for the years ended June 30, 1983 and 1982

	Land	Buildings	Furniture & Equipment	Vehicles	Library Books	Construction in Progress	Total
GENERAL FIXED ASSETS—June 30, 1981	$11,076,018	$124,958,385	$21,103,205	$7,316,781	$6,251,924	$2,973,436	$173,679,749
ADDITIONS							
Expenditures From Capital Projects Fund		4,887,735	611,480		7,110	4,228,026	9,734,351
Expenditures From General Fund	218,858	369,448	1,252,981	1,211,283			3,052,570
Expenditures From Expendable Trust Fund			70,388				70,388
Donations			13,813	1,000			14,813
Total Additions	218,858	5,257,183	1,948,662	1,212,283	7,110	4,228,026	12,872,122
DELETIONS		(1,025,962)	(437,909)	(807,494)		(2,812,336)	(5,083,701)
GENERAL FIXED ASSETS—June 30, 1982	11,294,876	129,189,606	22,613,958	7,721,570	6,259,034	4,389,126	181,468,170
ADDITIONS							
Expenditures From Capital Projects Fund	6,421	4,163,113	533,809			1,281,398	5,984,741
Expeditures From General Fund	99,745	43,829	971,933	1,539,123		15,378	2,670,008
Expenditures From Expendable Trust Fund		29,010	117,031				146,041
Donations			2,375				2,375
Total Additions	106,166	4,235,952	1,625,148	1,539,123		1,296,776	8,803,165
DELETIONS	(19,182)	(318,405)	(1,983,383)	(444,611)		(3,422,671)	(6,188,252)
GENERAL FIXED ASSETS—June 30, 1983	$11,381,860	$133,107,153	$22,255,723	$8,816,082	$6,259,034	$2,263,231	$184,083,083

*Taken from *Comprehensive Annual Financial Report*, Charlotte/Mecklenburg Board of Education, Charlotte, North Carolina, for year ending June 30, 1983, p. 50. This report received ASBO the Certificate of Excellence in Financial Reporting by School Systems.

Table 5:11 Independent School District No. 271
Statement of Changes in General Fixed Assets*
for the year ended June 30, 1983

	Balance June 30, 1982	Additions	Retirements	Balance June 30, 1983
GENERAL FIXED ASSETS:				
Land and land improvements	$ 1,593,102	$ 13,684		$ 1,606,786
Buildings	51,409,090	239,775		51,648,865
Furniture and equipment	7,088,125	524,042	$ 367,667	7,244,500
School buses and vehicles	262,338		51,918	210,420
Food service equipment	275,822	49	3,694	272,177
Accumulated depreciation—food service	(262,159)	(7,359)	(3,694)	(265,824)
Total	$60,366,318	$ 770,191	$ 419,585	$60,716,924
INVESTMENT IN GENERAL FIXED ASSETS:				
Food service fund	$ 13,663	$ 49	$ 7,359	$ 6,353
Transportation fund	89,124		51,917	37,207
Community services fund	88,505	37,755		126,260
Capital outlay fund	12,829,486	728,626	367,667	13,190,445
General obligation bonds	47,311,722			47,311,722
Federal grants	33,818	11,119		44,937
Total	$60,366,318	$ 777,549	$ 426,943	$60,716,924

*Taken from *Comprehensive Annual Financial Report*, Independent School District 271, Bloomington, Minnesota, for year ending June 30, 1983, p. 42, Exhibit M. This report received ASBO the Certificate of Excellence in Financial Reporting by School Systems.

Table 5:12 Charlotte-Mecklenburg Board of Education
Schedule of General Fixed Assets—by Function* for the year ended June 30, 1983 with comparative totals for June 30, 1982

Function	Land	Building	Furniture and Equipment	Vehicles	Library Books	Totals 1983	Totals 1982
Instructional:							
Elementary	$ 4,493,526	$ 56,380,525	$ 7,709,938		$3,379,401	$ 71,963,390	$ 67,813,061
Junior High	2,726,990	32,433,734	5,652,323		1,517,698	42,330,745	41,637,036
Senior High	2,417,136	33,595,070	7,047,821		1,283,569	44,343,596	43,868,450
Special Schools	641,981	2,326,582	194,345			3,162,908	3,154,347
Administrative:							
General	960,174	7,859,186	1,627,683	682,159	78,366	11,207,568	12,764,777
Transportation	142,053	512,056	23,613	8,133,923		8,811,645	7,841,373
Total General Fixed Assets Allocated by Function	$11,381,860	$133,107,153	$22,255,723	$8,816,082	$6,259,034	181,819,852	177,079,044
Construction in Progress						2,263,231	4,389,126
TOTAL GENERAL FIXED ASSETS						$184,083,083	$181,468,170

*Taken from *Comprehensive Annual Financial Report*, Charlotte/Mecklenburg Board of Education, Charlotte, North Carolina, for year ending June 30, 1983, p. 49. This report received ASBO the Certificate of Excellence in Financial Reporting by School Systems.

Table 5:13 Columbia Public School District Statement of General Long-Term Debt*
June 30, 1983 and 1982

AMOUNT AVAILABLE AND TO BE PROVIDED FOR THE PAYMENT OF	1983	1982
GENERAL LONG-TERM DEBT:		
Amount available in Debt Service Fund	$ 1,793,373	$ 1,398,627
Amount to be provided	18,892,627	14,967,373
Total Available and to be Provided	$20,686,000	$16,366,000
GENERAL LONG-TERM DEBT PAYABLE:		
General obligation bonds		
Current	$ 1,107,000	$ 862,000
Long-term	19,579,000	15,504,000
Total General Long-Term Debt Payable	$20,686,000	$16,366,000

*Taken from *Comprehensive Annual Financial Report*, Columbia Public School District, Columbia, Missouri, for year ending June 30, 1983, p. 68. This report received ASBO the Certificate of Excellence in Financial Reporting by School Systems.

Table 5:14 Columbia Public School District Statement of Changes in General Long-Term Debt*
for year ended June 30, 1983

	Balance July 1, 1982	Additions	Reductions	Balance June 30, 1983
AMOUNT AVAILABLE AND TO BE PROVIDED FOR THE PAYMENT OF GENERAL LONG-TERM DEBT:				
Amount available in Debt Service Fund	$ 1,398,627	$ 441,910	$ 47,164	$ 1,793,373
Amount to be provided	14,967,373	3,925,254	—	18,892,627
Total Available and to be Provided	$16,366,000	$ 4,367,164	$ 47,164	$ 20,686,00
GENERAL LONG-TERM DEBT PAYABLE:				
General obligation bonds				
Current	$ 862,000	$ 245,000	$ —	$ 1,107,000
Long-term	15,504,000	4,952,000	877,000	19,579,000
Total General Long-Term Debt Payable	$16,366,000	$ 5,197,000	$ 877,000	$ 20,686,000

*Taken from *Comprehensive Annual Financial Report*, Columbia Public School District, Columbia, Missouri, for year ending June 30, 1983, p. 70. This report received ASBO the Certificate of Excellence in Financial Reporting by School Systems.

Proprietary Funds. For Enterprise Funds and Internal Services Funds interim financial statements are:

- A balance sheet comparing current balances with balances at the end of the prior year. (See Table 5:15.)
- A statement of income showing gross income less sales discounts and sales returns and allowances, the cost of goods or services sold, gross profit, less selling and general expenses, and net income. A statement of changes in retained earnings. An alternative presentation may include both the statement of income and the statement of changes in retained earnings, as shown in Table 5:15-A.
- A statement of changes in financial position. This statement is contained in Table 5:16 and emphasizes changes in working capital. Working capital is the excess of a fund's current assets over its current liabilities.

Table 5:15 Clinton Community School District School Nutrition Enterprise Fund* Comparative Balance Sheet, June 30, 1983 and 1982

ASSETS	1983	1982
Current Assets		
Cash	$ 97,449	$ 57,150
Investments	145,353	141,893
Accrued interest receivable	—	6,027
Other miscellaneous receivables	—	24
Due from other governments	—	26,502
Inventory	67,589	70,681
TOTAL CURRENT ASSETS	$ 310,391	$ 302,277
Equipment		
Total	151,846	148,608
Less accumulated depreciation	95,184	85,887
NET EQUIPMENT	$ 56,662	$ 62,721
TOTAL ASSETS	$ 367,053	$ 364,998
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ 232	$ 987
Fund Balance		
Retailed earnings	366,821	364,011
TOTAL LIABILITIES AND FUND BALANCE	$ 367,053	$ 364,998

**Taken from Comprehensive Annual Financial Report*, Clinton Community School District, Clinton, Iowa, for year ending June 30, 1983, p. 49. This report received ASBO the Certificate of Excellence in Financial Reporting by School Systems.

Table 5:15A Clinton Community School District
School Nutrition Enterprise Fund*
Statement of Revenues, Expenses and Changes in Retained Earnings
Years Ended June 30, 1983 and 1982

	1983	1982
OPERATING EXPENSES		
Sale of lunches		
Students	$ 239,969	$ 263,642
Adults	20,817	21,949
A La Carte	17,065	9,658
Other	2,346	2,399
Sale of milk		
Students	11,918	14,959
Adults	202	479
Total operating revenues	292,317	313,086
OPERATING EXPENSES		
Salaries		
Director	23,555	23,433
Secretary	5,606	5,509
Cooks-managers	70,560	65,367
Assistant cooks	52,462	50,661
Food servers/cashiers	56,822	47,834
Food van driver	1,502	83
Student help	4,033	2,648
Lunchroom supervisors	7,006	7,600
Substitutes	5,923	8,065
Special functions	26	17
School's share of IPERS	11,603	10,400
School's share of FICA	15,138	13,854
Food	343,014	324,207
Cleaning supplies	4,285	4,130
Paper supplies	4,497	6,935
Miscellaneous	5,704	6,166
Small equipment and repairs	10,978	5,553
Electricity	15,545	—
Insurance	5,927	6,025
Depreciation	12,115	12,163
Custodial services	16,690	14,753
Nutritional Education Training (NET)	—	818
Total operating expenses	672,991	616,221
(Loss) from operations	(380,674)	(303,135)
NON-OPERATING REVENUE		
Federal food commodities	106,658	103,478
Federal appropriations	232,200	190,849
State appropriations	27,741	15,603
Interest income	14,934	19,892
Nutritional Education Training (NET)	—	1,425
Other	1,951	350
Total non-operating revenue	383,484	331,597
Net Income	2,810	28,462
RETAINED EARNINGS, BEGINNING	364,011	335,549
RETAINED EARNINGS, ENDING	$ 366,821	$ 364,011

*Taken from *Comprehensive Annual Financial Report*, Clinton Community School District, Clinton, Iowa, for year ending June 30, 1983, p. 50. This report received ASBO the Certificate of Excellence in Financial Reporting by School Systems.

Table 5:16 Clinton Community School District School Nutrition Enterprise Fund* Statement of Changes in Financial Position, Years Ended June 30, 1983 and 1982

	1983	1982
SOURCES OF WORKING CAPITAL		
Operations		
Net income	$ 2,810	$ 28,462
Depreciation not requiring an outlay of funds	12,115	12,163
Total sources of working capital	14,925	40,625
USES OF WORKING CAPITAL		
Purchase of fixed assets	6,056	18,050
Net increase in working capital	$ 8,869	$ 22,575
ELEMENTS OF NET INCREASE (DECREASE) IN NET WORKING CAPITAL		
Cash and investments	$ 43,759	$ 1,905
Receivables	(26,526)	2,223
Accrued interest receivable	(6,027)	(2,239)
Inventories	(3,092)	21,504
Accounts payable	755	(818)
Net increase in working capital	$ 8,869	$ 22,575

**Taken from Comprehensive Annual Financial Report*, Clinton Community School District, Clinton, Iowa, for year ending June 30, 1983, p. 51. This report received ASBO the Certificate of Excellence in Financial Reporting by School Systems.

Fiduciary and Agency Funds. An Interim financial statement for each non-expendable trust fund consists of:

A balance sheet comparing the current balances with those at the end of the prior year.

For each expendable trust fund the following interim financial statements are used:

- A balance sheet comparing current balances with those at the end of the prior year,
- A statement of income and expense,
- A statement of changes in retained earnings,
- A statement of changes in financial position.

For each agency fund they include:

- A statement of assets and liabilities.
- A schedule of cash receipts and disbursements.

Table 5:17 presents the format that is used for balance sheets for both expendable trust funds and agency funds. Table 5:18 makes a comparative statement of revenues, expenditures, and changes in fund balance for an expendable trust fund and Table 5:19 illustrates how beginning balance sheets for agency funds can be presented while indicating the changes that took place in the asset and liability accounts.

Table 5:17 Lubbock Independent School District
Combining Balance Sheet For Fiduciary Funds*
August 31, 1983

	Expendable Trust Funds		Agency Funds			
	Community Headstart	Handicapped Children's Early Education Program	Property Tax Fund	Principal's Fund	Student Activity Fund	Total
Assets:						
Cash	$220,065	$ 29,271	$ 169,858	$31,200	$ (18,602)	$432,792
Temporary investments, at cost					110,000	110,000
Sundry receivables	39,730					39,730
Total assets	$259,795	$ 29,271	$ 169,858	$ 31,200	$ 91,398	$581,522
Liabilities:						
Accounts payable	$	$ 402	$	$	$ 1,226	$ 1,628
Due to other funds		85	169,858		182	170,125
Due to student groups				31,200	89,990	121,190
Deferred revenues		8,402				8,402
Total liabilities		8,889	169,858	31,200	91,398	301,345
Fund balance:						
Fund balance	259,795	20,382				280,177
Total fund balance	259,795	20,382				280,177
Total liabilities and fund balance	$259,795	$ 29,271	$ 169,858	$ 31,200	$ 91,398	$581,522

*Taken from *Comprehensive Annual Financial Report*, Lubbock Independent School District, Lubbock, Texas, for year ending August 31, 1983, pp. 55-56. This report received ASBO the Certificate of Excellence in Financial Reporting by School Systems.

Table 5:18 Lubbock Independent School District Community Headstart Statement of Revenues, Expenditures and Changes in Fund Balance*, Budget (GAAP Basis) and Actual for the year ended August 31, 1983

	Budget	Actual	Variance favorable (unfavorable)
Revenue:			
Federal sources	$ 539,518	$ 572,235	$ 32,817
Expenditures:			
Payroll costs	397,664	345,053	52,611
Purchased and contracted services	26,483	23,006	3,477
Supplies and materials	15,664	17,255	(1,591)
Capital outlay	4,535	4,334	201
Other operating	95,172	69,201	25,971
Total expenditures	539,518	458,849	80,669
Excess of revenues over expenditures		113,486	113,486
Fund balance, September 1, 1982		146,309	146,309
Fund balance, August 31, 1983	$	$ 259,795	$ 259,795

Taken from *Comprehensive Annual Financial Report*, Lubbock Independent School District, Lubbock, Texas, for year ending August 31, 1983, p. 58. This report received ASBO the Certificate of Excellence in Financial Reporting by School Systems.

Year-End Financial Statements for Funds and Account Groups

At the end of the fiscal year a balance sheet, a statement of revenue, expenditures and fund equity and a statement of changes in financial position are prepared for the general fund. These are the financial statements for the first of the budgetary funds.

For the remaining budgetary funds, combined financial statements are prepared. Combined financial statements also are prepared for all special revenue funds, for all capital projects funds, and for all debt service funds. Combined financial statements include a combined balance sheet, a combined statement of revenue, expenditures and fund equity and a combined statement of changes in financial position.

Combined financial statements for each of these results in a set of columns that include a total for each of the accounts included in the financial statements. This gives what the totals might be if there were only one general ledger for all special revenue funds, one general ledger for all capital projects funds, and one general ledger for all capital projects funds, and one general ledger for all debt service funds. Examples of the "combining technique" for special revenue funds are given in Tables 5:20 and 5:21.

Table 5:19 Lubbock Independent School District
Combining Statement of Changes in Assets and Liabilities—All Agency Funds* for the year ended August 31, 1983

	Balance September 1, 1982	Additions	Deductions	Balance August 31, 1983
PROPERTY TAX FUND				
Assets				
Cash	$ 123,425	$1,308,632	$1,262,199	$ 169,858
Liabilities				
Due to other funds	$ 123,425	$1,308,632	$1,262,199	$ 169,858
PRINCIPAL'S FUND				
Assets				
Cash	$ 89,520	$ 681,161	$ 739,481	$ 31,200
Liabilities				
Due to student groups	$ 89,520	$ 681,161	$ 739,481	$ 31,200
STUDENT ACTIVITY FUND				
Assets				
Cash	$ (20,557)	$ 809,993	$ 808,038	$ (18,602)
Temporary investments, at cost	109,732	774,635	774,367	110,000
Total assets	$ 89,175	$1,584,628	$1,582,405	$ 91,398
Liabilities				
Accounts payable	$ 1,395	$ 28,023	$ 28,192	$ 1,226
Due to other funds	273	705	796	182
Due to student groups	87,507	40,158	37,675	89,990
	$ 89,175	$ 68,886	$ 66,663	$ 91,398
TOTAL—ALL AGENCY FUNDS				
Assets				
Cash	$ 192,388	$2,799,786	$2,809,718	$ 182,456
Temporary investments, at cost	109,732	774,635	774,367	110,000
Total assets	$ 302,120	$3,574,421	$3,584,085	$ 292,456
Liabilities				
Accounts payable	$ 1,395	$ 28,023	$ 28,192	$ 1,226
Due to other funds	123,698	1,309,337	1,262,995	170,040
Due to student groups	177,027	721,319	777,156	121,190
Total liabilities	$ 302,120	$2,058,679	$2,068,343	$ 292,456

*Taken from *Comprehensive Annual Financial Report*, Lubbock Independent School District, Lubbock, Texas, for year ending August 31, 1983, p. 60. This report received ASBO the Certificate of Excellence in Financial Reporting by School Systems.

Table 5:20 Special Revenue Funds—Combining Balance Sheet, June 30, 1983* (with comparative totals for June 30, 1982)

	Recreation	Tort Liability	Retired Teachers'	Totals 1983	Totals 1982
ASSETS					
Cash in bank	$214,981	$30,838	$7,637	$253,456	$122,812
Accounts receivable					
Local	5,609	—	—	5,609	
Delinquent property taxes receivable, (Note 3)	58,881	3,825	804	63,510	45,061
Total Assets	$279,471	$34,663	$8,441	$322,575	$167,873
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	$ 1,730	$ —	$ —	$ 1,730	$ 84
Deferred property tax revenue	140,389	3,443	1,828	145,660	86,547
Total Liabilities	142,119	3,443	1,828	147,390	86,631
Fund Balance:					
Reserved for encumbrances	3,345	—	—	3,345	2,616
Unreserved - unappropriated	134,007	31,220	6,613	171,840	78,626
Total Fund Balance	137,352	31,220	6,613	175,185	81,242
Total Liabilities and Fund Balance	$279,471	$34,663	$8,441	$322,575	$167,873

*Taken from *Comprehensive Annual Financial Report*, Salt Lake City School District, for year ending June 30, 1983, pp. F-27. This report received ASBO the Certificate of Excellence in Financial Reporting by School Systems.

At the end of the fiscal year, a combined balance sheet, a combined statement of revenues, expenses, and changes in retained earnings and a combined statement of changes in financial position are presented for all enterprise funds and for all internal services funds.

A combined balance sheet is prepared for all non-expendable trust funds, for all expendable trust funds and for all agency funds.

A combined balance sheet, a combined statement of revenues, expenses, and changes in retained earnings and a combined statement of changes in financial position are prepared for all trust funds.

Each combined financial statement presents a "totals" column for each account for memorandum purposes only. This emphasizes again that it is the individual funds' financial statements that provide the basis for effective and efficient financial control and management.

Combined Financial Statements

The totals columns on combined financial statements of budgetary funds are presented in columnar form with additional columns that present the financial statements of the general fixed assets account group and the financial statements of the general long-term debt account group. These comprise the combined financial statements for the school district. They are:

- Combined Balance Sheet—All Fund Types and Account Groups (Table 5:22).

- Combined Statement of Revenue, Expenditures and Changes in Fund Balances—All Budgetary Funds and Expendable Trust Funds (Table 5:23).

- Combined Statement of Revenue, Expenses and Changes in Retained Earnings—All Proprietary Type Funds, (i.e., Enterprise Funds, Internal Services funds and Expendable Trust Funds). See Table 5:24.

- Combined Statement of Changes in Financial Position-all Proprietary Type Funds. See Table 5:25.

Table 5:21 Special Revenue Funds—Combining Statement of Revenues, Expenditures, and Changes in Fund Balance* year ended June 30, 1983, (with Comparative totals for year ended June 30, 1982)

	Recreation	Tort Liability	Retired Teachers'	Totals 1983	Totals 1982
REVENUES					
Local Sources:					
Property taxes	$645,843	$42,472	$8,590	$ 696,905	$642,151
Tuitions	220,010	—	—	220,010	221,417
Swimming pool programs	17,373	—	—	17,373	12,243
Total Local Sources	883,226	42,472	8,590	934,288	875,811
State Sources:					
Retirement and social security expenditure reimbursement	70,804	—	—	70,804	—
Total Revenues	954,030	42,472	8,590	1,005,092	875,811
EXPENDITURES					
Liabilities insurance premiums	—	23,131	—	23,131	28,452
Pension payments	—	—	7,200	7,200	8,750
Tax collection expenditures	—	812	162	974	942
Recreation Fund:					
Instruction	416,893	—	—	416,893	400,923
Support services	309,592	—	—	309,592	278,401
Operation and maintenance	18,303	—	—	18,303	14,185
Community services	135,056	—	—	135,056	115,690
Total Expenditures (Note 2)	879,844	23,943	7,362	911,149	847,343
Excess of Revenue over Expenditures	74,186	18,529	1,228	93,943	28,468
Fund Balances - Unappropriated July 1	60,550	12,691	5,385	78,626	49,350
Decrease (Increase) in reserve for encumbrances	(729)	—	—	(729)	808
Fund Balances - Unappropriated June 30	$134,007	$31,220	$6,613	$ 171,840	$ 78,626

*Taken from *Comprehensive Annual Financial Report*, Salt Lake City School District, for year ending June 30, 1983, pp. F-27. This report received ASBO the Certificate of Excellence in Financial Reporting by School Systems.

Table 5:22 Columbia Public School District Combined Balance Sheet—All Fund Types and Account Groups June 30, 1983* (with comparative totals for 1982)

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)	
ASSETS	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust Agency	General Assets	General Term Debt	1983	1982
Cash and investments	$ 792,433	$5,661,050	$1,760,094	$5,161,554	$ —	$ 190,728	$ —	$ —	$13,565,859	$ 7,407,091
Property taxes receivable, net of allowance for uncollectable amounts	229,544	278,548	88,981	—	—	—	—	—	597,073	472,428
Accounts receivable										
State	32,321	367,338	—	—	17,550	—	—	—	417,209	141,870
Federal	13,680	212,115	—	—	37,943	—	—	—	263,738	309,715
Other	27,385	20,882	4,736	13,799	1,649	1,612	—	—	70,063	103,868
Due from other funds	80	—	—	—	—	76,079	—	—	76,159	6,883
Inventories	160,455	—	—	—	109,838	—	—	—	270,293	231,425
Prepaid expenses	30,377	804	—	—	342	—	—	—	31,523	12,613
Fixed assets, net of accumulated depreciation	—	—	—	—	62,266	—	33,261,158	—	33,323,424	32,313,086
Amount available in Debt Service Fund	—	—	—	—	—	—	—	1,793,373	1,793,373	1,398,627
Amount to be provided for retirement of long-term debt	—	—	—	—	—	—	—	18,892,627	18,892,627	14,967,373
Total Assets	$1,286,275	$6,540,737	$1,853,811	$5,175,353	$ 229,588	$ 268,419	$33,261,158	$20,686,000	$69,301,341	$57,364,979
LIABILITIES AND FUND EQUITY										
Liabilities										
Cash overdraft	$ —	$ —	$ —	$ —	$ 113,577	$ —	$ —	$ —	$ 113,577	$ 314,872
Accounts payable	142,032	50,191	—	392,172	5,668	5,822	—	—	595,885	316,698
Accrued salaries and payroll taxes	88,958	1,086,702	—	—	1,816	—	—	—	1,177,476	889,124
Due to other funds	2,154	73,836	—	—	89	80	—	—	76,159	6,883
Due to student groups	—	—	—	—	—	65,076	—	—	65,076	27,323
Deferred revenue	160,073	206,419	60,438	—	—	—	—	—	426,930	9,539
Bonds payable—current	—	—	—	—	—	—	—	1,107,000	1,107,000	862,000
Bonds payable—long term	—	—	—	—	—	—	—	19,579,000	19,579,000	15,504,000
Total Liabilities	393,217	1,417,148	60,438	392,172	121,150	70,978	—	20,686,000	23,141,103	17,930,439
Fund Equity										
Contributed capital										
Investment in general fixed assets	—	—	—	—	295,452	—	—	—	295,452	118,844
Retained earnings (deficit)	—	—	—	—	—	—	33,261,158	—	33,261,158	32,241,799
Fund balances	—	—	—	—	(187,014)	—	—	—	(187,014)	(222,490)
Reserved for encumbrances	3,030	719	—	8,847	—	—	—	—	12,596	6,055
Reserved for inventories	160,455	—	—	—	—	—	—	—	160,455	137,618
Reserved for prepaid expenses	30,377	804	—	—	—	—	—	—	31,181	12,613
Reserved for medical benefits	—	—	—	—	—	—	—	—	197,441	12,537
Reserved for property tax reductions	543,037	—	—	—	—	197,441	—	—	543,037	—
Unreserved-undesignated	156,159	5,122,066	1,793,373	4,774,334	—	—	—	—	11,845,932	7,127,564
Total Fund Equity	893,058	5,123,589	1,793,373	4,783,181	108,438	197,441	33,261,158	—	46,160,238	39,434,540
Total Liabilities and Fund Equity	$1,286,275	$6,540,737	$1,853,811	$5,175,353	$ 229,588	$ 268,419	$33,261,158	$20,686,000	$69,301,341	$57,364,979

*Taken from *Comprehensive Annual Financial Report*, Columbia Public School District, Columbia, Missouri, for year ending June 30, 1983, pp. 12-13. This report received ASBO the Certificate of Excellence in Financial Reporting by School Systems.

Table 5:23 Columbia Public School District Combined Statement of Revenue, Expenditures and Changes in Fund Balance—Governmental Fund Types and Expendable Trust Fund *for the year ended June 30, 1983* (with comparative total amounts for the year ended June 30, 1982)*

	Governmental Fund Types					Total (Memorandum Only)	
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Expendable Trust Fund	1983	1982
REVENUE							
Local	$6,024,726	$7,373,446	$2,077,437	$ 147,445	$605,523	$16,228,577	$13,424,269
County	222,057	534,260	78,554	—	—	834,871	774,701
State	3,005,540	7,194,946	—	—	—	10,200,486	9,383,606
Federal	98,430	1,690,206	—	—	—	1,788,636	1,764,571
Tuition other districts	13,617	47,524	—	—	—	61,141	279,384
Total Revenue	9,364,370	16,840,382	2,155,991	147,445	605,523	29,113,711	25,626,531
EXPENDITURES							
Administration	983,841	1,466,332	—	14,137	—	2,464,310	2,276,576
Instruction	2,157,246	12,678,954	—	98,022	—	14,934,222	13,310,089
Support services	867,635	1,114,091	—	—	—	1,981,726	1,844,543
Operation of plant	3,154,348	63,996	—	204,829	—	3,423,173	3,211,737
Pupil transportation	1,691,909	10,461	—	850	—	1,703,220	1,655,060
Community and adult services	16,881	1,188,462	—	—	—	1,205,343	1,196,159
Debt services	—	—	1,733,026	—	—	1,733,026	1,719,018
Capital outlay and construction	4,136	—	—	507,471	—	511,607	617,073
Medical benefit program	—	—	—	—	408,082	408,082	—
Total Expenditures	8,875,996	16,522,296	1,733,026	825,309	408,082	28,364,709	25,830,255
EXCESS (DEFICIT) REVENUE OVER EXPENDITURES	488,374	318,086	422,965	(677,864)	197,441	749,002	(203,724)
OTHER FINANCING SOURCES							
Proceeds of general obligation bonds	—	—	—	5,000,000	—	5,000,000	—
EXCESS (DEFICIT) REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES	488,374	318,086	422,965	4,322,136	197,441	5,749,002	(203,724)
FUND BALANCE, JULY 1, as previously reported	573,407	4,683,308	1,398,627	461,045	—	7,296,387	7,500,111
Retroactive restatement for change in accounting for property tax revenue (Note 2)	(121,555)	(147,500)	(47,164)	—	—	(316,219)	—
FUND BALANCE, JULY 1, as restated	451,852	4,715,808	1,351,463	461,045	—	6,980,168	7,500,111
Annexation of Midway Heights	104,927	89,695	18,945	—	—	213,567	—
Residual equity transfer	(174,933)	—	—	—	—	(174,933)	—
Increase in reserve for inventory	22,838	—	—	—	—	22,838	—
FUND BALANCE, JUNE 30	$ 893,058	$5,123,589	$1,793,373	$4,783,181	$197,441	$12,790,642	$7,296,387

*Taken from *Comprehensive Annual Financial Report*, Columbia Public School District, Columbia, Missouri, for year ending June 30, 1983, pp. 14-15. This report received ASBO the Certificate of Excellence in Financial Reporting by School Systems.

Table 5:24 Columbia Public School District Statement of Revenue, Expenses and Changes in Fund Equity—Proprietary Fund Type: Enterprise Fund—Food Services* for the year ended June 30, 1983
(with comparative actual amounts for the year ended June 30, 1982)

	1983	1982
REVENUE:		
Food sales	$ 912,093	$ 902,268
EXPENSES:		
Food, purchased and donated	760,755	870,640
Payroll	513,662	486,070
Fringe benefits	58,178	57,991
Supplies	100,109	90,838
Purchased services	32,120	27,895
Travel	3,706	4,211
Repairs	23,403	16,296
Total Expenses	1,491,933	1,553,941
Net Operating Income (Loss) Before Depreciation	(579,840)	(651,673)
Depreciation	19,847	19,622
Net Operating Income (Loss)	(599,687)	(671,295)
NON OPERATING REVENUE (EXPENSES)		
State subsidies	39,234	13,543
Federal subsidies	400,930	344,030
Donated commodities received	194,368	176,953
NET INCOME (LOSS)	34,845	(136,769)
RETAINED EARNINGS (DEFICIT), JULY 1	(222,490)	(85,721)
Annexation of Midway Heights	631	—
RETAINED EARNINGS (DEFICIT), JUNE 30	$ (187,014)	$ (222,490)
CONTRIBUTED CAPITAL, JULY 1	$ 118,844	$ 118,844
Residual equity transfer (Note 13)	174,933	—
Contribution of fixed assets	1,675	—
CONTRIBUTED CAPITAL, JUNE 30	$ 295,452	$ 118,844

*Taken from *Comprehensive Annual Financial Report*, Columbia Public School District, Columbia, Missouri, for year ending June 30, 1983, p. 18. This report received ASBO the Certificate of Excellence in Financial Reporting by School Systems.

Table 5:25 Columbia Public School District Statement of Changes in Financial Position Proprietary Fund Type: Enterprise Fund—Food Service* for the year ended June 30, 1983 (with comparative actual amounts for the year ended June 30, 1982)

Resources Provided		
Net income	$ 34,845	—
Add charges to operations not using working capital - depreciation	19,847	—
Working Capital Provided by Operations	54,692	—
Annexation of Midway Heights	631	—
Recognize inventory of donated commodities	—	180,357
Residual equity transfer	174,933	—
Contributed fixed asset	1,675	—
Total Resources Provided	$231,931	$180,357
Application of Financial Resources		
Net loss for the year	$ —	$136,769
Less charges to operations not using working capital - depreciation	—	19,622
Working Capital Used in Operations	—	117,147
Increase in fixed assets, net	10,826	—
Increase in working capital	221,105	63,210
Total Resources Applied	$231,931	$180,357
Changes in Components of Working Capital		
Increase (decrease) in current assets		
Receivables, prepaids	$ 3,652	$ (5,821)
Inventory	16,031	31,207
Total	19,683	25,386
(Increase) decrease in current liabilities		
Cash overdraft	201,295	41,526
Payables	127	(3,702)
Total	201,422	37,824
Increase (Decrease) in Working Capital	$221,105	$ 63,210

*Taken from *Comprehensive Annual Financial Report*, Columbia Public School District, Columbia, Missouri, for year ending June 30, 1983, p. 19. This report received ASBO the Certificate of Excellence in Financial Reporting by School Systems.

Conclusion

The educational accounting procedures presented in this chapter are not only useful financial management tools for the complete accounting cycle, but they are also necessary activities for effective school management. Accounting functions serve essentially three publics: the general public (taxpayers), the school board (policy makers) and the school managers (superintendent of schools, school business administrator, director of transportation and so on). The comprehensive procedures described and illustrated in this chapter, therefore, are designed to demonstrate to the general public that the highest standards of financial accounting and reporting are being used and that ultimately their money is being managed efficiently and effectively in the pursuit of quality education.

To the school board, the accounting procedures provide information about the structure of the school district's finances as well as timely information necessary

for making policy decisions. For the school managers, they provide detailed data to help them understand the particular workings and needs of their district as well as plan for the future.

In recent years, financial analysts have relied more and more on the statement of changes in financial position as a benchmark of financial well-being. As a result, The American Institute of Certified Public Accountants has encouraged its members to show either a change in cash balance, the cash balance, the cash balance and temporary investments and working capital or the changes in working capital.

The statement of gross revenue does not represent the total picture of resources available to a school system. Significant financial resources are created each time an asset of the school system is converted, exchanged or sold. Expense reimbursements and fund equity accounts provide financial resources as does increasing a school district's liabilities. Using comprehensive accounting procedures enables the school business administrator or chief financial officer to make decisions which will take maximum advantage of the total resources available within the given cashflow environment.

When the statement of changes in financial position is prepared on the basis of total financial resources provided and applied for each fund producing income and/or revenue, it statistically illustrates the financial magnitude of a school system at the local, state and federal levels. It proves to management, the board and the public at large that school business is big business.

Resources

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